

Management Policy and Corporate Governance

The FDK Group will contribute to further advancement of electronics industries by developing and providing electronic products and batteries, and will perform social responsibilities as a company, in order to be a trusted, good corporate citizen.

FDK Group Management Direction

The FDK Group makes it its mission to realize abundant electronic society by developing and providing electronic parts and batteries of quality that satisfies customers. For this purpose, the FDK Group provides high quality products of high utility value to the customers all over the world by fully utilizing our own material, circuit and high density packaging technologies nourished for years and by integrating the efforts and enthusiasm of all employees in the Group. Aiming at being recognized as a key device supplier of highly advanced electronic products, the FDK Group will endeavor to contribute to the development of technologies and environmental protection. In addition, the FDK Group will further enhance its corporate value through timely and accurately responding to changes of its business environment and an effective utilization of its corporate resources by promoting production innovation activities to build a firm and stable management foundation, as well as managing the company in compliance with the relevant laws and regulations.

Corporate Governance

The FDK Group aims at speedy and accurate decision-making as well as highly transparent and efficient corporate management, through which it will strengthen its corporate governance.

Our Basic Attitudes toward Corporate Governance

The FDK Group believes that well-established corporate governance will enhance the healthiness and the fairness and transparency of a company and increase the value of our shareholders. Standing on the idea, the FDK Group's organizational structure is revised as necessary to improve the quality of the organization and to implement necessary measures and policies. In addition, the Group is committed proactively to disclosing its corporate information to ensure transparent and socially just corporate management. For example, its corporate information is disclosed in a timely manner, and its financial statements are available on the Internet.

Measures for Ensuring Corporate Governance

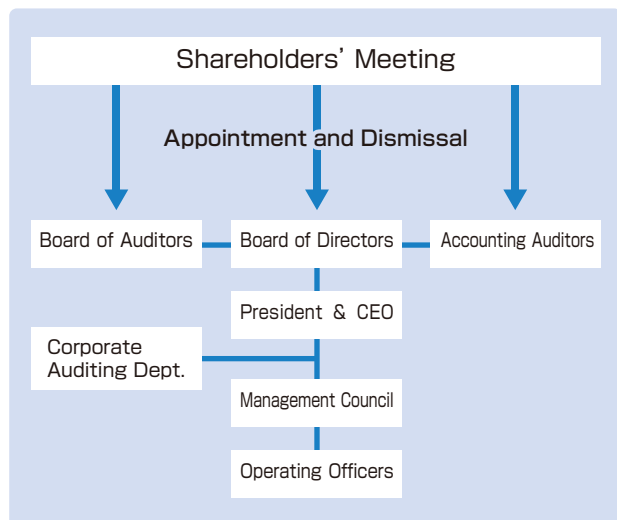
The FDK Group separates management administration functions and business operation functions. Since June 2002, an operating officer system has been put into effect. Currently the Group's board of directors consists of four directors including one external board member. The small-in-size board of directors ensures a prompt decision making process. The board of directors meeting is held once a month where important corporate management matters are decided and operations of business are monitored and supervised. There are 3 director and operating officers and 8 operating officers in office.

The Management Council is convened once a month to decide on business matters. As decisions on important business matters require a resolution at the meeting of board of directors, the Council is in principle held one week before the meeting of board of directors to facilitate its process.

There are 4 corporate auditors, and 2 out of them are 'outside corporate auditors' stipulated in Article 2, Paragraph 16 of the corporate law. The corporate auditors attend the meeting of board of directors, Management Council and other committees held from time to time. In addition to it, their role includes business report hearings from directors. All of these effectively ensure the conduct of business in compliance to corporate governance by closely monitoring the business activities of the directors. The auditor's meeting is held every 3 months in principle, where each auditor makes a report on how he/she monitors the business of the FDK Group.

The effectiveness and efficiency of their auditing activities are ensured by maintaining close communication among accounting auditors, corporate auditors and Corporate Auditing Dept. through exchanging information and opinions among them from time to time.

Corporate Governance Structure



Compliance(Regulatory Compliance)

The FDK Group fulfills its social corporate accountability after clarifying its due corporate conduct as an enterprise and abides by relevant laws and regulations applicable to it. In FY2006, an 'Internal Reporting System' was newly introduced.

FDK Corporate Guideline on Code of Conduct

Established in 2000 as a basic code to be observed by each employee, FDK Corporate Guideline on Code of Conduct clearly gives direction of the FDK Group for compliance and basic policies of its corporate activities to gain trusts of its consumers and suppliers. The Guideline is available to all employees through the company's intranet, is placed on bulletin board of each workplace, and is printed in a portable calendar distributed to all employees every year, so that the concepts in the Guideline can be disseminated effectively to all of them and in order to stimulate recognition of the concepts among them for appropriate actions by them.

1.Customer Satisfaction

- We supply safe and high quality products and services for the needs of customers.

2.Environmental Consciousness

- We promote resource saving, energy saving and make an ongoing effort to protect the global environment.

3.Contribute to Society

- We, as a good corporate citizen, actively contribute to society.
- We respect the culture and customs of every country in the world with the global perspective and contribute to the development of the region.

4.Fair Trade

- We have sensible course of business behavior, and conduct fair and free competition.
- We communicate widely with the society and disclose our corporate information justly and timely.

5.Compliance with Law

- We act with sense of ethics and comply with laws and social codes.

Compliance Education

Use of Intranet

Aiming at stimulating recognition of compliance and corporate ethics among the employees, the FDK Group provides compliance-related information of various types to all employees through the company's intranet. The information includes explanation of laws and regulations applicable to them and the Group, internal regulations, example cases of violations.

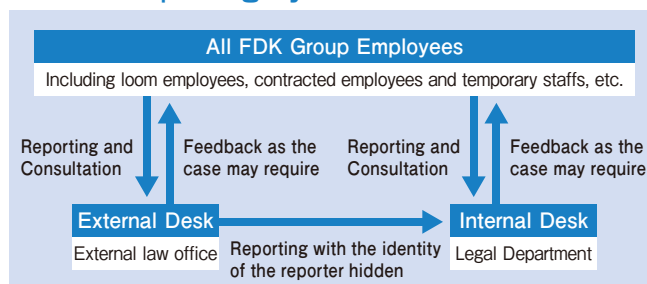
Internal Seminars

Laws and regulations closely related to everyday activities of the employees, such as internal regulations, Product Liability Law, Amtitrust Laws and Private Information Protection Law are explained at training seminars for new recruits and for newly appointed officers to raise the understanding of such laws and regulations among employees. As the course of such efforts by the company, each office holds an explanation meeting individually to explain laws and regulations especially important to us. In FY2006, an explanation meeting on export control was held with the participation of domestic offices and overseas subsidiaries in order to strengthen security trade. In addition, an explanation seminar on Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors was held during FY2006.

Internal Reporting System

Aiming at prevention and early-stage detection of any violations relating to laws, regulations, internal rules as well as the company's ethics regulations, an 'Internal Reporting System' was established in the Group in April 2006. A report receiving desk was established where any reporting and consultations are received. The desk is assumed to be used whenever alleged violations against laws and rules as well as the company's ethics regulations are found and when normal course of consultations and reporting is not available through the reporter's manager. Name and department of reporters are treated as confidential under the 'Internal Reporter Protection Regulation.' Reporters are also protected against any disadvantageous or retaliatory treatment due to a violation notification made by them. In FY2006, no reporting that is associated with significant violations against laws, rules and regulations were made.

Internal Reporting System



Risk Management

The FDK Group tries to prevent occurrence of any risks, and promotes minimizing the influences of risks once they happen. The risk management system of the entire Group is reinforced wherever the Group operates, either in Japan or in overseas.

Risk Management System

After facing with various risks at its offices in Japan and in overseas, the FDK Group revised its risk management system for the entire offices. All the latent business risks were identified and departments were allocated and assigned to risk assessment and analysis in order to strengthen the Group's risk management competency. Natural disasters and dissemination of epidemics and others that could expose us to serious risks are treated in a way that relevant information is collected and analyzed correctly and measures are decided speedily under the leadership of 'Risk Management Department' chaired by the President. Kosai Plant, located where Tokai earthquake could occur at any time, is planning a business continuity plan (BCP) so that the Plant can continue supply of products to customers without any temporary stops or resume production at an early date, if a stop happen.

Actions against Natural Disasters

In FY2006, the 'Employee Safety Confirmation System,' developed in-house, was deployed to all offices in Japan including all FDK Group companies. This system utilizes e-mail transmission and web functions of cellular phones. From now onward, safety of each employee, when massive disasters such as an earthquake and a tsunami happen, can be confirmed promptly. Whenever such disasters happen, the FDK Group will cooperate with the local communities by providing dry batteries manufactured by the Group, dispatching in-house fire-fighting brigade and taking part in rescuing victims.



A cellular phone screen showing employee safety information

Protection of Intellectual Properties

In order to keep it at the position of competitive advantage, the FDK Group protects its unique businesses through creating and protecting intellectual properties. Intellectual properties, especially, are protected with the cooperative actions by IPC function, R&D function and Business function of the Group. The activities are centered on the three pillars of (i) acquisition of effective patents, (ii) effective utilization of patents currently held and (iii) aversion of infringing rights of others.

Intellectual Property Control System

Control of intellectual properties for the entire Group are planned and proposed by Intellectual Property Dept., under Technology R&D Department and managed and operated by Patent Promotion Sub-Committee. A patent promotion meeting is set up at the level of sections, groups and projects and held regularly to make a summary of issues related to patent in order to extract and discuss new areas of inventions.

Respect to Patents Held by Others

An infringement of a third party patent could result in a large loss for our company. The FDK Group implements appropriate measures to avoid this. At the same time, we decisively act against infringement of our patents by a third party. A meeting of Patent Promotion Committee is regularly held where discussions and reports on patent infringements take place.

Intellectual Property Strategy

In order to acquire patents in force effectively, Intellectual Property Department works closely with our invention functions for creation and invention. Prior-art researches, judgment as to whether an invention can be patentable or not, and thorough review of a written opinion against a notification of reasons for refusal are all intended to make a smooth submission of an application for registration of a patent. For the purpose of nourishing robust patents, in-house education and other human resources development schemes are proactively facilitated.

Diagram of Management System for Intellectual Property

